

**THE METROHEALTH SYSTEM
BOARD OF TRUSTEES
FINANCE COMMITTEE
REGULAR MEETING MINUTES**

DATE: Wednesday, October 17, 2018

TIME: 8:00 to 10:00 am

PLACE: MetroHealth Medical Center
K107, Business Services Building

**COMMITTEE
TRUSTEES:** Mr. McDonald

**ADDITIONAL
TRUSTEES:** Ms. Dee & Mr. Moss

STAFF: B. Boulanger, M.D., A. Boutros, M.D., N. Chehade, M.D., G. Himes,
J. Platten, S. Rajka, C. Richmond, B. Schwartz, M. Stern

GUESTS: A. Blake, J. Evans (Hartland)

Mr. McDonald called the regular meeting of the Finance Committee to order at 8:02 am. Please note the minutes are written to conform to the printed agenda and are not necessarily in the order of discussion.

I. The minutes of the regular meeting held on July 18, 2018 were approved as presented.

II. INFORMATION ITEMS

Mr. McDonald introduced Adam Blake, Senior Managing Director and John Evans, Director from Hartland, The MetroHealth System's investment advisors. Mr. Blake took the committee through an investment presentation that covered the overall implementation strategy, investment approach, as well as the portfolio's current performance since the implementation of the strategy.

Craig Richmond, Executive Vice President and Chief Financial Officer provided an overview of the Third Quarter 2018 Unaudited Financial and Operations Results for the period ended September 30, 2018. Mr. Richmond reported that Adjusted Earnings before Interest, Depreciation and Amortization ("EBIDA") for the nine months ended September 30, 2018 was \$76.1 million, an increase of \$10.6 million or 16.2 percent over the same period in 2017 which had an EBIDA of \$65.5 million. EBIDA increase was mainly attributed to growth from emergency department volumes, patient acuity, surgical volumes, expanded pharmacy operations, lower liability insurance costs, and supplemental payments from the Care Innovation and Community Improvement Program (CICIP).

Mr. Richmond further reported that total operating income for the nine months ended September 30, 2018 was \$32.3 million, compared with operating income of \$24.7 million in the same period of 2017, an increase of \$7.6 million or 30.8 percent.

Total operating revenue for the nine months ended September 30, 2018 was \$891.0 million as compared to \$836.8 million in the same period of 2017, an increase of 6.5 percent. The net patient service revenue component increased \$42.5 million or 5.9 percent. Key drivers of the increased net patient revenue include modest improvement in payor mix, higher overall acuity of cases, emergency

department and surgical volumes, and the CICIP program. The other operating revenue component increased \$11.7 million or 9.8 percent mainly driven by growth in retail and contract pharmacy operations.

Mr. Richmond noted the System recorded total operating expenses of \$814.9 million for the nine months ended September 30, 2018 as compared to \$771.3 million for the same period in 2017, which is an increase of \$43.6 million or 5.7 percent, comparing favorably to the total operating revenue increase of \$54.2 million. Similar to prior quarter, most of the increase was in salary, wages and benefits for additional staff to accommodate volume growth, purchased services and pharmacy costs associated with the retail pharmacy expansion.

Mr. Richmond provided a review of the Statement of Net Position as of September 30, 2018 as compared to December 31, 2017. Areas of note were (i) \$14.5 million increase in other receivables due to the timing of the Hospital Care Assurance Program (HCAP) payments and the CICIP program; (ii) net capital assets increased \$38.3 million due to costs associated with the View Road parking garage and transformation planning/design services, and (iii) restricted assets under bond indenture agreement decreased \$49.6 million from prior year-end balances due to interest payments and Bond Fund draws during the period. Total liabilities decreased by \$1.9 million which was mainly due to the timing of payments for accounts payable, payroll and professional liability claims.

Mr. Richmond reviewed Unrestricted Cash and Investment balances, noting that the third quarter of 2018 increased \$31.9 million from prior year-end due to the operating performance discussed, the timing of payments, as well as receipts from the CICIP program. Regarding MetroHealth's bond covenants and rating agency median ratios' the System's bond covenants (days cash on hand and minimum debt service coverage ratio) are within compliance. Lastly, the Advisory Board Credit Rating Strength Diagnostic Tool which measures the system's financial metrics against benchmarks derived from hospital medians of the major credit rating agencies was referenced, as well as the Capital Budget Summary.

Michael Stern, Executive Vice President and Chief Operating Officer, and Bernard Boulanger, MD, Executive Vice President and Chief Clinical Officer, provided an overview of the Monthly Operating Performance Volumes for the nine months ended September 30, 2018 comparing to the same period in 2017. Inpatient discharges were slightly up compared to prior year. Overall length of stay has increased and the overall case mix index (CMI) was up for the year at 1.63 compared to 1.57 in 2017. Mr. Stern commented that opportunities to reduce the length of stay will continue to be an area of focus. Life Flight helicopter transports are down compared to last year other hospitals have reduced the need of using our helicopter services for their patient transports.

Geoff Himes, Vice President of Finance provided an Accounting and Financial Reporting update. The update included a review of GASB Statement No. 68 – Pension and GASB Statement No. 75 – Other Postemployment Benefits, as well as other guidance that will impact MetroHealth in future fiscal years. The impact of GASB 68 and GASB 75 will be recorded in the fourth quarter of 2018, which is consistent with prior year practices.

III. NON-CONSENT/ACTION ITEMS

A. There are no items to report at this time.

IV. CONSENT ITEMS

A. A Recommendation for the Allocation of Additional Capital Funds for 2018

The Committee unanimously approved the recommendation for full Board action.

B. A Recommendation for the Purchase of Certain Capital Equipment

The Committee unanimously approved the recommendation for full Board action.

C. A Recommendation for Certain Annual Purchasing Policies and Procedures

The Committee unanimously approved the recommendation for full Board action.

At this point in the meeting a motion was made, seconded and passed to move the Committee into Executive Session to discuss trade secrets and litigation matters. The Committee returned to regular session at 9:40 am.

D. A Recommendation for a Proposed Budget for the 2019 Fiscal Year and to Authorize the Submission of the same to the Government of Cuyahoga County, Ohio ("County").

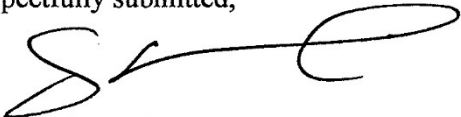
The Committee unanimously approved the recommendation for full Board action.

E. A Recommendation for the Approval of a Lease to Establish a Health Center for Clinical Services

The Committee unanimously approved the recommendation for full Board action.

There being no further business to bring before the Committee, the meeting was adjourned at 9:44 a.m.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Craig Richmond', with a stylized, flowing script.

Craig Richmond
Executive Vice President and
Chief Financial Officer